



## TAX GOVERNANCE

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### 1. INTRODUCTION

The three [global trends](#) that are influencing our operations also have an impact on the way we approach tax. The transforming industry requires our tax position and relevant tax knowledge to be up to date. The changing world asks for an even more sustainable approach where we pay our fair share of taxes. With digitalization we are increasing our data analytics capabilities that will also help us in continuously improving our own ways of doing business, also in the field of tax where we are automating more and more of our compliance processes.

Our tax governance is created to ensure required level of comfort towards all the stakeholders, including investors, tax authorities and business partners.

Tax Strategy & Tax Principles are endorsed by the Board of Management and are given appropriate prominence within our organization.

### 2. TAX STRATEGY & PRINCIPLES

#### 2.1. Tax strategy

As published on our [website](#), our Signify company strategy focuses on five pillars:

1. Customer centricity
2. Differentiated offers
3. Growth for sustainability
4. Digitalization
5. Great place to work



Our growth for sustainability is driven by 'Brighter Lives, Better World'. Besides taking a leading role in bringing better light to the world, we also want to help in providing a more sustainable future. We are improving lives by providing light that creates safer and more livable cities, fosters food growth, and alleviates light poverty. Providing a more sustainable future also entails paying the right amount of tax, in the right place, at the right time. Taxes paid are an important part of the contribution to local economies and support the development of the many countries we operate in. Being a responsible taxpayer is aligned with our purpose, business strategy and Integrity Code. Acting with integrity means making the right choices when facing ethical dilemmas, also in the field of taxes.

Therefore:

- Tax is an integral element of our overall corporate social responsibility and of our commitment to sustainable developments goals.
- Our tax strategy ensures compliance with local and international tax laws and regulations for all group entities. We strive to prepare and file all tax returns required, providing complete, accurate and timely disclosures to all relevant tax authorities. Where tax law is unclear, or has not kept pace with modern business practice, obligations are interpreted in a responsible & sustainable way, guided by the Signify Tax Principles as well as the spirit & letter of the law.
- Our tax strategy takes interests of all stakeholders into account, aims to avoid tax exposure and double taxation, and reduces compliance costs and other tax costs for instance by utilizing tax assets and applying tax incentives. This strategy is always in line with our sustainability approach and follows business reality.
- We seek an open and constructive dialogue with tax authorities. Tax audits and communication with tax authorities are managed when and where needed. If relevant and appropriate, advanced tax rulings are being explored to ensure we comply with local law.

## 2.2. Tax principles

We do not use legal entities in countries that do not share tax information<sup>1</sup> and do not use legal entities without commercial and/or economic activities solely for tax avoidance.

We maintain an open dialogue with our stakeholders, such as (but not limited to) shareholders, NGOs, auditors, and the communities in which we operate.

We support initiatives<sup>2</sup> promoting tax transparency and responsible tax management.

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<sup>1</sup> Countries that do not participate in Tax Information Exchange Agreements (TIEA)

<sup>2</sup> Such as from the OECD (Organization for Economic Cooperation and Development) / UN (United Nations)



We take into account of the letter as well as the spirit of tax laws and regulations. This is also the reference when choosing business partners or when structuring transactions.

Profits are allocated to the countries in which business value is create (following Signify's global TP policy).

Tax must be aligned with the business and should not be a profit center by itself. It is understood that tax is an integrated part of doing business. Tax is not merely the exclusive domain of the tax department. Various taxes are being dealt with throughout our organization.

Signify believes that digitalization leads to more efficient and sustainable processes. We are looking into various fields of taxes together with internal & external parties to understand how technology and digitalization could bring us further. We aim for efficiency by harmonizing and digitalizing various procedures in aforementioned areas. Signify has a strong performance in sustainability; also, in the field of taxes we look at options to go to a digital and paperless way of working (and filing, when local authorities allow us to do so) so that we can stay aligned with our sustainability goals.

Our Transfer Pricing policies target an appropriate (arm's length) remuneration of the activities amongst related parties. These policies are global policies, consistently applied across all countries, whereby the remuneration received corresponds with the local value creation. The transfer pricing policies are supported by economic analysis, functional analysis and are formally documented. The policies and documentation are updated on a regular basis.

### 3. TAX FUNCTIONS

#### 3.1. Group Tax

A globally organized tax function (Group Tax) is in place to ensure Signify's worldwide tax compliance. Within Group Tax there is clear segregation of duties (clarity on roles and responsibilities) which is announced internally to all employees to ensure that all tax items are addressed properly.

Group Tax maintains the communication and relationship with tax authorities and supports the business on tax-related topics. Also, Group Tax sets the global Tax Strategy and monitors and supports the Signify Finance function.

Group Tax staff regularly completes Integrity code training and management actively promotes the tax principles.

Group Tax takes care of tax awareness at Signify's business functions trough sharing tax knowledge with Signify's employees as well as developing tax policies to be followed by Signify's business functions.



### 3.2. External tax advisors

External tax advisors are involved in tax compliance but also in material transactions or when a specific area of tax expertise is required. Group Tax is a primary point of contact to external tax advisors to ensure that the compliance & advisory services rendered are compliant with the tax strategy of Group Tax.

### 3.3. Dedicated IT tools

To support our tax functions, we use dedicated IT tools for tax compliance, mandatory reporting to local tax authorities and data storage. We use internally as well as externally developed tools to support our tax processes.

## 4. INTERNATIONAL TAX STANDARDS

Signify is committed to conduct business in accordance with internationally accepted standards of good corporate governance and to provide timely, regular, and reliable information on its activities, financial position, and performance, including the tax figures.

Signify operates and pays taxes in more than 70 countries. By being a responsible taxpayer, our obligation to pay taxes does not lead to paying more taxes than required by law. This means that responsible taxpaying aligns with the interests of all its stakeholders, including customers, shareholders, employees, suppliers, and the communities Signify operates in.

Signify makes disclosures in accordance with international reporting requirements (IFRS) and where needed in local GAAP.

Signify's TP model is based on a global unified Transfer Pricing policy. Signify is fully compliant with BEPS regulations. Signify prepares the Country-by-Country report (CbCR) for its entire Group and shares this with the Dutch tax authorities. Signify developed and implemented a combined central – local system of verifying tax arrangements and reporting them under Mandatory Disclosure Rules (DAC6).

Signify is open to further public disclosures, provided there are clear rules what should be disclosed so that our stakeholders understand information provided and can compare with other companies.

## 5. TAX RISK MANAGEMENT

We have a structured risk management system to address the following risk categories: strategic, operational, compliance and financial risks. The risk appetite differs for each category and is further described in our annual report.

The risk management system identifies, assesses, prioritizes, and manages risks on a continuous and systematic basis, and covers all subsidiaries across Businesses, Markets and Group functions.



The detailed tax risk management system is managed and developed by Group Tax, which also cares for constant improvement of tax consciousness of all Signify's employees involved in the relevant processes. The aim of Signify's tax risk management process is to ensure that Signify is compliant with tax regulations, as well as to minimize negative tax impact resulting from changing or unforeseeable circumstances.

Our Board of Management approves & signs off on our tax strategy, reviews the tax control framework and our key tax positions. External auditors regularly review our tax controls and our key tax positions as part of the audit of our financial results. The responsibility for tax management ultimately rests at the executive Board of Management with the CFO.

## 6. TAX CONTROL FRAMEWORK

Signify developed its own standardized approach for monitoring and testing the execution of Tax Risk Management carried out on a regular basis (Tax Control Framework - TCF). The TCF provides awareness and assurance of adherence to up-to-date tax policies.

Our TCF is continuously monitored and updated by Group Tax to ensure its adequacy to business and legal requirements.

Tax control processes are unified for all Signify's entities to ensure the same certain level of comfort and carried out on both local and central level.

### 6.1. Horizontal Monitoring

The Netherlands Tax and Customs Administration employs a cooperative compliance program dubbed 'horizontal monitoring'. In 2020, a redesign of the program was announced to be effective as of 2023, grandfathering the period until then.

Under this scheme, Signify was identified as a so-called 'Top 100' of largest and/or most influential Dutch taxpayers. Hence, we are served under a so-called 'individual compliance approach' aimed at taxpayers who:

- are willing to be transparent & cooperative
- have a decent approach of tax control; and
- are open to audits proving the above.

As a result, in exchange for transparency, trust and openness to cooperation, Signify benefits from swifter-than-normal certainty in tax matters and a better working relationship with the Dutch tax authorities.